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SUBJECT: AFGHANISTAN (WITH UK HELP) LEADS BABY STEPS TOWARD
REGIONAL ECONOMIC COOPERATION

Summary

11. (SBU) The joint GoA and UK-hosted Regional Economic Cooperation Conference was held in Kabul December 4 and 5. The event featured an opening address by President Karzai, and speeches by GoA economic ministers and regional delegates, who were primarily at the ministerial and vice-ministerial level. Four separate working groups were formed to examine areas of potential cooperation. While the resulting Kabul Declaration offered little in the way of concrete steps forward, the GoAs initiative in putting this conference together allowed Afghanistan to showcase its role as an emerging regional player. End Summary

Speeches, Speeches, Speeches

12. (U) President Karzai opened the Regional Economic Cooperation Conference, held in Kabul December 4-5, stating that Afghanistan has emerged from decades of violence and is now able to make a positive economic contribution to the region. The legacy of the countrys troubled past, he said, has contributed to the region as a whole not realizing its full economic potential.

13. (U) The conference was co-chaired by GoA Minister of Foreign Affairs Abdullah Abdullah and UK Minister of State Kim Holmes. Attendees included regional delegations, led primarily at the ministerial and vice-ministerial level, from Russia, Iran, the Central Asian states (except for Kyrgyzstan, which failed to show), Pakistan, India, China, Turkey and the UAE. Delegations from G-8 countries, international financial institutions and private industry representatives also attended. The U.S. delegation included Ambassador Maureen Quinn, SA DAS John Gastright, NSC Afghanistan Director Anthony Harriman and USTDA Eurasia Director Dan Stein.

14. (U) Three-quarters of the first day was devoted to opening speeches from the heads of each regional delegation and presentations by six separate GoA economic line ministries, all of which outlined their Goals and priorities for the conference. Points ranged from the suggestion that countries should move forward to promote investment despite festering disputes (Minister of f

Economic Cooperation, Pakistan) to a pitch for the quality of Tajik building materials (Deputy Minister of Industry, Tajikistan) to details on measures being taken to protect the region from Avian Flu (Minister of Health, Afghanistan).

Working Groups Come Up Short

15. (U) The afternoon session was spent in working group meetings. Heads of regional delegations attended a ministerial-level session entitled Strengthening Regional Cooperation Mechanisms, while remaining delegates participated in one of three working groups (WGs) on the following topics: Electricity Trade and Energy Development; Trade Facilitation and Transport; and Trade, Investment and Business Climate. The WGs were asked to develop short lists of specific recommendations on impediments to regional economic cooperation in these areas.

16. (U) The first two WGs produced 2-3 page papers with recommendations for consideration by the heads of delegations. The Electricity Trade and Energy Development WG focused on the importance of power purchase agreements, large-scale transmission projects, security for transmission lines, and the necessity of developing

bilateral and multilateral agreements on hydropower resources. The Trade Facilitation and Transport WG highlighted trucking industry reform, maintenance of existing transport infrastructure, and better border management.

17. (SBU) The Trade, Investment and Business Climate WG did not produce a paper, held back by heated discussions on issues such as dumping, Pakistani customs, corruption and business visa facilitation. It agreed only that these issues required further dialogue and solutions. (Comment: Consensus among Mission delegates was that all WG discussions were general, Afghanistan-focused, and lacking in active participation by representatives from regional countries. End comment.)

Kabul Declaration

18. (SBU) Day two began with a report on the discussions that took place in each WG and the ministerial session. The plenary then broke to allow for final deliberation on the text of the conference paper. The resulting Kabul Declaration is a three and a half page document with an introduction affirming participants basic commitment to mutually beneficial regional economic cooperation and sections containing Noted, Urged and Decided points, summarized below:

--Noted--

-- Trading power through Power Purchase Agreements and accelerating construction of transmission infrastructure is of mutual benefit and merits urgent consideration. Steps should be taken to efficiently use the regions hydropower.

-- Opportunities for improved cooperation and management of regional water resources exist.

-- Countries should examine ways to create, develop and maintain inter-continental transit routes, selecting the most promising and prioritizing investments accordingly.

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-- Countries will encourage and facilitate regional transportation of energy resources.

-- Countries will seek to bring together systems and procedures to facilitate cross border movements of goods and services and strengthen border management.

--Urged--

-- That regional organizations avoid overlap and duplication of effort in their programs through improved coordination.

--Decided--

-- The short term focus for cooperation should be on practical projects in the fields of energy, transport and trade for which there is high-level political commitment.

-- Bilateral WGs with Pakistan and Iran will be established for the Kabul and Hari Rood/Helmand water systems and a multilateral WG with the Central Asian countries for the Panj-Amu Darya systems.

-- Participant countries will pursue improved mechanisms to combat narcotics within regional organizations.

-- Participant countries are encouraged to prepare concrete proposals on improved border management for the upcoming Doha II Conference.

-- Participant countries will meet again in nine months to review progress on these discussions, with the GOA taking the lead for follow-up.

-- In preparation, national focal points will be created to help identify, evaluate and implement regional initiatives.

Comment

19. (SBU) The conference, while short on substance, did reaffirm participant countries overwhelming support for the basic principles of regional economic cooperation and set the stage for more specific negotiations during upcoming conferences. That the GoA chose not to include conference participants from outside the region (except the British), itself leading the conference discussions of the Kabul Declaration, allowed Afghanistan to emerge somewhat

as an independent regional player in its own right.

¶10. (SBU) The GoA has expressed its commitment to take concrete steps that will facilitate improved regional economic cooperation, as outlined in the Interim Afghan Development Strategy. Furthermore, simply co-hosting this event was a worthwhile capacity building exercise for the GoA and Kabuls ability to organize such a high-level conference on relatively short notice is, in and of itself, a sign of this citys economic progress. The Embassy will follow up on conference outcomes, most notably proposals to transport power from Kyrgyzstan through Tajikistan to Afghanistan.

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